

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6916

BILL NUMBER: HB 1494

DATE PREPARED: Dec 19, 1998

BILL AMENDED:

SUBJECT: Sales tax exemptions.

FISCAL ANALYST: Jim Mundt

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(5,200,000)	(5,400,000)
State Expenditures			
Net Increase (Decrease)		(5,200,000)	(5,400,000)

Summary of Legislation: This bill provides an exemption from the state sales and use tax for tangible personal property sold by a funeral home or cemetery and used in connection with a funeral or burial.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues: Current policy results in the application of sales tax to sales by funeral homes or cemeteries in two ways. First, if service and property is provided to a customer and the billing is provided in a lump sum amount without separating charges for services and tangible personal property, sales tax is due on 100% of the lump sum price. Second, if the billing separately lists all services and tangible personal property, tax is due on the taxable items of tangible personal property. Taxable items include: casket/cremation casket, outside enclosure/vault, urns and vases, clothing, memorial booklet, service folder/prayer cards, acknowledgment cards, flowers, and any other tangible personal property purchased directly by the buyer.

This bill would provide an exemption from the sales and use tax for the sale of any tangible personal property by a funeral home or cemetery and result in a loss of revenue. For calendar year 1997, funeral homes and

cemeteries remitted \$4,718,663 in sales tax. Assuming a similar amount was remitted for state Fiscal Year 1998, and applying the growth percentages used in the most recent Revenue Forecast, it is estimated that the amount of revenue loss will be approximately \$5.2 million for FY 00, the first year of impact, and approximately \$5.4 million for FY 01.

Sales and use tax is distributed to the State General Fund (59.2%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), and the Industrial Rail Service Loan Fund (0.04%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: *Information Bulletin #49, Sales Tax Application to Morticians*, Indiana Department of State Revenue, December, 1997; State Revenue Forecast, December 17, 1998.